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December 16, 1998

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, NW
Room 222
Washington, D.C. 20554

EX PARTE PRESENTATION

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: **CC Docket No. 96-128**

On behalf of the American Public Communications Council ("APCC"), we submit the attached response by John Haring and Jeffrey Rohlf's to MCI Worldcom's November 17, 1998, ex parte submission, "Further Thoughts on Payphone Compensation."

Submitted as a "follow-up" to an ex parte "economic debate" held more than seven weeks earlier, MCI's submission offers nothing new to justify its belated presentation of yet another "expert" study. Instead, MCI repeats the same fallacious economic arguments that it has presented from the outset of this proceeding. Beginning from the flawed premise that anything short of "perfect competition" is "monopoly," MCI argues that any market-based approach to payphone compensation must be invalid because payphone competition is less than "perfect." In attempting to support this faulty reasoning, MCI continues to misstate and distort the actual conditions of competition in the payphone market. And while opposing the Commission's market-based rationale on these specious grounds, MCI utterly disregards that its preferred cost-of-service rationale offers no viable alternative.

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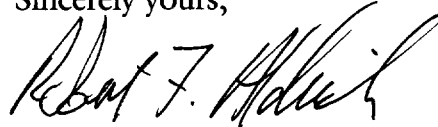
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December 16, 1998
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In fact, as the attached response shows, competitive conditions in the payphone market are amply sufficient to support a market-based approach to payphone compensation.

If you desire any further information, please contact the undersigned.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Robert F. Aldrich". The signature is fluid and cursive, with the first name "Robert" and last name "Aldrich" clearly distinguishable.

Albert H. Kramer
Robert F. Aldrich

Enclosure

cc: Lawrence Strickling
Dorothy Attwood
Craig Stroup
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Glenn Reynolds
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MCI's "Further Thoughts"
Yield Negative Returns

John Haring
Jeffrey H. Rohlfs*

December 16, 1998

- * John Haring and Jeffrey H. Rohlfs are principals in Strategic Policy Research, Inc., an economics and public policy consultancy located in Bethesda, Maryland. Dr. Haring formerly served as Chief Economist and Chief, Office of Plans and Policy at the FCC. Dr. Rohlfs formerly served as Head of Economic Modeling Research at Bell Labs.

I. Introduction

MCI's submission¹ is mistitled as it contains nothing new and simply recasts the same faulty economic analysis MCI has been peddling from the outset of this proceeding. Its "Further Thoughts" offer a response that does not, in fact, respond to the identified deficiencies of the cost-based approach it espouses, including the manifest infeasibility of implementing rate-base, rate-of-return regulation for over a million individual payphone stations (an utterly preposterous proposition on its face), each of which MCI contends is a separate monopoly market (an equally absurd contention). MCI's agenda is also unchanged; it remains a transparent attempt to use the supply capabilities of other market participants without paying a fair price.

MCI claims that confusion derives from "loose discussions of the properties of the perfectly competitive equilibrium" and "forced, and inappropriate application of the competitive model to the payphone industry."² In reality, other parties (including us) have consistently proposed sophisticated economic models of the payphone industry's operations that take economies of scale and scope as well as product differentiation into account.³ It is MCI that engages in loose discussion and inappropriate application of the competitive model (with its inapt assumption of no economies of scale or scope). Furthermore, MCI's costing approach to compensation actually guarantees progressive degradation of service in the instant operating environment.⁴ As we have previously demonstrated,⁵ a correct economic analysis of the instant

¹ George S. Ford, "Further Thoughts on Payphone Compensation" (17 November 1998).

² *Op cit.*, at 3 and 11.

³ Economies of scale derive from handling more calls per month on the same payphone. Economies of scope derive from joint provision of coin and coinless calls.

⁴ In all of its many "responses," MCI has never explained how its costing approach would recover the costs of stations of below-average usage or above-average quality. Now we at least have an answer: *It would not* and those stations would be simply lost. What is more, the logic of successive application of MCI's "remedy" is progressive degradation in the quality of payphone service available to the consuming public. As we note in a variety of contexts in this comment, MCI never comes to grips with the implications of resource mobility in the payphone context.

⁵ See *Comments of American Public Communications Council*, submitted before the Federal Communications Commission (FCC) in response to its *Notice* on payphone compensation issues: Declaration of John Haring and Jeffrey H. Rohlf, July 13, 1998; Reply Declaration of John Haring and Jeffrey H. Rohlf, July 27, 1998. See also two papers prepared on behalf of BellSouth for submission before the FCC, *In the Matter of Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-128: John Haring and Charles L. Jackson, *Critique of Hatfield Cost Analysis*, *Reply Comments*, filed

problem discloses the manifest deficiencies of MCI's proposed approach in both theory and practice, and confirms the wisdom and efficacy of the Commission's "market-based" approach, properly applied.⁶

II. A Remedy That Is Not a Remedy for a Problem That Is Not a Problem

As we have previously explained, the appropriate economic model to describe the payphone industry is one of "differentiated competition." The industry is characterized by conditions of free entry and exit and a large number of firms, but individual payphone stations exhibit economies of scale and scope and are differentiated by location. In equilibrium total revenues must equal total costs because if they did not economic incentives exist for entry or withdrawal of resources and there are no barriers to resource mobility. MCI has produced not a scintilla of evidence that there are any economic barriers to expansion or contraction of payphone stations.⁷ Indeed, MCI's latest effusion finally, if belatedly, concedes that were compensation changed, the number (and quality) of pay stations deployed would, in fact, change.⁸ If there were any (positive) monopoly rents, the number of stations would increase, usage per station would decline and station costs per call would increase operating to dissipate any monopoly rents in equilibrium.⁹ If rents were negative, some stations would exit (*i.e.*, be removed), usage per

July 15, 1996; and John Haring, Charles L. Jackson and Calvin S. Monson, *Economic Report on FCC Resolution of Payphone Regulatory Issues, Comments*, filed July 1, 1996.

⁶ Our previous analysis indicated that the Commission had likely understated the appropriate coinless compensation by (implicitly) assuming that elasticities of demand for coin and coinless calls are the same when the demand for coinless calls is actually less elastic, and by overstating the actual differential between costs of coin and coinless calls.

⁷ MCI *asserts* that individual pay stations are monopolies and are able to earn monopoly rents, but *never* explains what it is that prevents deployment of additional stations nearby existing stations thereby dissipating any monopoly rents.

⁸ *Op cit.*, at 18.

⁹ Competition dissipates monopoly rents. Economic rents (*i.e.*, factor payments that exceed costs of production) may occur for other reasons besides monopoly output restriction. Differences in input factor productivity often result in payment of (non-monopoly) rents to resources with superior productivity. Inputs may also earn scarcity rents when there are a variety of competing uses and, hence, opportunity costs to be remunerated. Opportunity costs are real costs. As we note presently, the need for recovery of fixed station costs (including

station would increase and station costs per call would decline, operating to eliminate the negative rents (*i.e.*, the losses).

According to MCI (at 18), "Simple logic reveals that increasing the per-call compensation rate in an attempt to increase the number of payphones is an exceptionally inefficient plan to increase the number of payphones." What MCI characterizes as "exceptionally inefficient" is precisely how most markets, and particularly most competitive markets, produce an efficient allocation of resources. In competitive markets, prices are determined by supply and demand at the margin.¹⁰ MCI's argument is simply that *MCI* would rather pay less and have fewer phones. *MCI* will not feel the pain if phones are pulled from marginal locations where the utility to *MCI* (but not to the consumers who use them) is small.¹¹

Given the Communications Act's requirement for dial-around access, a normal negotiated business transaction is rendered difficult since the seller cannot withhold supply for lack of an acceptable payment. The Commission is thus compelled to specify appropriate compensation to prevent unfair expropriation of and uneconomic "free-riding" on payphone suppliers' assets. If anything, the bargaining asymmetry created by a requirement for dial-around access calls for the regulator to set a high rate to level the bargaining table and empower negotiations to produce mutually beneficial results.

MCI (at 9-10) claims that its own ability to block payphone calls is "irrelevant" and the notion that it "somehow restrains the market power of payphones is indeed peculiar," but this is merely a smokescreen to disguise that MCI is anything but a pure price taker when it comes to bargaining negotiations with payphone providers. Here is a case where MCI willfully misapplies the economic model of perfect competition whose misapplication it claims is the source of confusion. The relevant applicable model is plainly a bargaining model and with its substantial

differential productivity and scarcity rents/opportunity costs — which are *costs* to payphone service suppliers) implies mark-ups over marginal costs.

¹⁰ Thus when demand increases relative to supply, price at the margin typically increases, calling forth additional quantities of supply and producing (non-monopoly) rents for inframarginal units of supply.

¹¹ The number and location of payphone stations is a matter of concern to regulators because of the role payphones play in supplying network access to the less well-off and affording consumers with convenient network access (particularly in the case of emergencies and circumstances involving public safety).

market share, MCI is clearly capable of exercising considerable bargaining power when it comes to dealings with payphone providers. MCI cannot credibly be regarded as an "atomistic" competitor incapable of influencing the prices it pays through bargaining threats. It is fully capable of using its bargaining clout (and, in particular, the threat to block a significant number of calls) to extract significant pricing concessions. The same goes for AT&T and any other long-distance carrier with substantial traffic potentially to withhold.¹²

As we argue in our APCC submissions,¹³ equilibrium "market-based" rates under differentiated competition are economically "reasonable" in the conventional regulatory sense that the firm is able to recover its cost of capital, but is prevented from earning any super-normal, "monopoly" profits. Unlike an undifferentiated competitive equilibrium, however, prices under differentiated competition do not necessarily equal marginal cost, as they do in the simplistic competitive model assumed by MCI. In reality, prices exceed marginal cost if there are economies of scale and/or scope. In the payphone context, economies of scale derive from more monthly usage of a payphone; economies of scope derive from the joint provision of coin calls and coinless calls. Under these circumstances, to recover fixed station costs (including location lease rentals), prices are marked-up over marginal cost in inverse proportion to the various elasticities of demand for different outputs perceived by each firm.¹⁴ MCI misidentifies these competitively determined mark-ups (to recover fixed-cost burdens) as monopoly rents. Contrary to sound economic principles, MCI continues to seek to have it both ways: reaping the cost savings from scope economies derived from joint provision of coin and coinless calls from stations equipped to handle both types of calls, but avoiding its share of the fixed-cost burden of provisioning such stations.

¹² These carriers need not simply take the compensation rate as a given and economize accordingly, but can threaten to block calls unless lower compensation is accepted. Their bargaining capability becomes a dimension of competitive performance for customers.

¹³ *Op. cit.*

¹⁴ As we earlier noted, this equilibrium has the same properties as those of a perfectly contestable (*not* a perfectly competitive) market equilibrium.

The analytically relevant unit of output is the payphone station, notwithstanding MCI's continued specious focus on the cost per call. MCI's claim¹⁵ is that every site is a monopoly and, therefore, site suppliers are able to extract monopoly profits. Assume, (only) for purposes of argument, that this were so. Even conceding that assumption, one cannot solve the alleged "monopoly" problem by screwing down compensation. The reason is that the FCC is powerless to prevent the site supplier from "shrinking the candy-bar" by, for example, reducing the number of stations or the service features they embody.¹⁶ The competitive payphone industry is not a public utility (a million-plus public utilities) and regulators are not in a position to compel the deployment and maintenance of payphone capital equipment. Unless a regulator can (and is prepared) to regulate (i.e., specify/dictate) both price and output (including the service features and quality of maintenance to be supplied at each and every payphone station, as well as the guarantee of a reasonable opportunity for every operator to recover costs), price regulation predictably produces a degradation in quality of service and a collapse of product quality to standards consistent with the compensation permitted. Thus, even assuming (if only) for purposes of argument that there were a problem, the remedy proffered by MCI would not supply an effective remedy even if it were feasible, which it is plainly not.¹⁷ If something is not feasible, it cannot be economically optimal under any circumstances since only feasible alternatives are potentially optimal.

As we have repeatedly noted in our various submissions (and MCI now finally concedes), the principal performance consequence of the rate of compensation the Commission specifies is quality of service — the number of phones deployed and the service features they embody — rather than profitability. Because there are, as a general rule, no barriers to resource mobility in this industry sector, variations in compensation will primarily be manifested in business

¹⁵ *Op. cit.*, at 9.

¹⁶ MCI's discussion of the welfare effects of reduced compensation (at 18) includes *no discussion* of the adverse consequences for consumer welfare that result as consumers have to queue and perhaps forgo completion of calls where fewer or no stations are deployed and the reductions in consumer utility associated with reduced service quality (lack of enclosure, less frequently maintained stations, *etc.*).

¹⁷ Note that failure to regulate on a station-by-station basis implies failure to recover costs of below-average usage and above-average quality stations.

decisions to place or remove phones (or to embed or not embed a variety of potentially desirable service features), not higher or lower profitability. The general absence of barriers to resource mobility ensures that only normal rates of return can be sustained.

The alleged "monopoly" problem is in reality not a general problem, but rather — if a problem at all — one that occurs infrequently in extreme circumstances.¹⁸ MCI's contention is that the extreme cases are the general case,¹⁹ but this contention is economically insupportable. MCI claims (at 7-8) that each phone is a monopoly and must be regulated. As with "Ma & Pa's," they may be only a small market on the corner, but they're (allegedly) the only market on the corner and they, therefore, (allegedly) have a corner on the market.²⁰

To MCI, it is "dubious" that a consumer would ever cross the street to save a nickel,²¹ but then the question naturally occurs as to why a consumer would ever switch long-distance carriers to save only a few cents on a long-distance call. Perhaps she would because she contemplates making more than a single call and, therefore, anticipates saving more than a few cents. The assumption that "search" is limited by the prospect of only saving a nickel presumes that

¹⁸ As we noted in our *Reply Declaration* (at 7, footnotes omitted):

... the sites where payphone stations might be located to significant competitive effect are usually quite extensive. As with other relevant inputs in this industry, so with site locations — there are, in general, no meaningful barriers to expansion of output. If a particular site location proves valuable, there will be incentives for allocation of nearby space by potential site suppliers and effective substitutes will be developed. If supernormal profits can be anticipated in a particular area, the economically reasonable expectation is that additional pay stations will be installed within the area or nearby.

¹⁹ See *op. cit.*, at 8. MCI claims the individual *premise* is a relevant geographical market

²⁰ In this regard, we note that MCI has, in fact, *misrepresented* what the *Consumer Union's* survey disclosed. That study found that 30 percent of payphones are in visible range of *another company's* payphones. Consumers Union, Southwest Regional Office, Public Policy Report Series #6, May 1998, "More than Pocket Change: Making Cents of the Cost of a Pay Phone Call" at 13. Thus when MCI claims (at 7) that "one might expect that many of these nearby sites were operated by the same PSP," they are simply blowing smoke. The fact that *fully* 30 percent of payphone sites had *competitive* alternative sites in *visual* proximity, by itself, substantially undercuts MCI's contention that each payphone site constitutes a monopoly market. Awareness of stations in non-visual proximity further undercuts this spurious claim.

²¹ As we have previously noted, effective market discipline on the demand side does not require that every or even most consumers be careful shoppers, but only that enough consumers be sufficiently sensitive to price and quality variations to discipline the market effectively. Supply-side competition can also provide effective market discipline.

consumers only make one call and engage in no repeat purchases, and breaks down rather badly when this is not so.²² Is it reasonable to presume, as MCI does, that no consumer ever contemplates making more than one call from a payphone at a particular time or over the course of a week or a month or a year, and thus might anticipate saving perhaps somewhat or perhaps substantially more than a nickel and, consequently, be willing to cross the street (or seek out and utilize other alternatives) to economize effectively? Is it reasonable to suppose that it is impossible for a payphone operator to brand its offerings, establishing a reputation for good service and fair dealing and an easily recognized trademark to signal consumers effectively? Is it reasonable to suppose that there exists no incentive to compete to avoid the loss of price-sensitive (or quality-sensitive) customers who look to discover and avail themselves of effective substitute alternatives (the payphone located in the other convenience store or eating place down the road, a cellular phone, the phone at home or in the office, etc.)?

One obvious incentive is economic survival, a powerful motivator particularly in environments where free entry makes normal returns, let alone super-normal returns hard to sustain. MCI claims (erroneously, in our view) that there is no competitive discipline because it does not pay to shop. What MCI keeps forgetting is that there is, except in the most extreme and infrequent of circumstances (which MCI misleadingly seeks to portray as not just typical, but universal), nothing preventing other operators from deploying additional payphone stations to exploit the (falsely alleged) easy pickings.²³

MCI (at least when it suits) claims the payphone industry should be viewed as a "spatial monopoly."²⁴ Note, first, that in this type of model there is no "shopping" per se because consumers (or "tastes") are simply assumed to be distributed geographically in some fashion (viz., along a line or around a circle in simple spatial models). Individual consumers are

²² The nickels become quarters and dollars and tens of dollars. Moreover, as we have previously argued, the presumption that people are not motivated to take steps to save even small amounts of money (*i.e.*, to economize) is premised on the assumption of low marginal utility of income and high opportunity costs of time and is, in reality, unwarranted and, indeed, contradicted in a very *large* number of cases.

²³ MCI claims that unless stations can be deployed within the same premise, monopoly rents can be earned. This strains credulity and distorts reality.

²⁴ See *op. cit.*, at 6-7.

assumed to purchase from the supplier nearest to their location in product space. The problem for MCI is that this type of model does not necessarily predict that any monopoly profits will be generated with free entry.²⁵ Conditions of free entry in this type of setting ensure that revenues equal costs and that any supernormal profits are dissipated. As we have previously explained, with free entry any economic profits simply induce a denser deployment of payphones in the relevant product space. As the number of phones increases and the average usage per phone declines, cost per call increases as fixed station costs are now spread over fewer calls. This is not a matter of "shopping" and "search," but merely a function of the number of phones deployed.

Contrary to MCI's cramped characterization of demand and supply conditions, there is generally likely to be significant market discipline given consumer sensitivity to price and service quality and, even if there were not, the absence of any meaningful barriers to entry guarantees a proliferation of payphones to produce a station density that dissipates any excess profits. We reiterate that market conditions in this industry strongly support the conclusion that revenues will equal costs in equilibrium and that there is, thus, a strong economic analytical basis for reliance on market-based rates to inform the setting of a compensation rate.²⁶

From the outset, we have noted the existence of special circumstances where consumers may lack good substitute alternatives and there are limits on the deployment of additional pay stations. MCI tries to make these special cases out to be the general case.²⁷ To do so, however, requires a highly circumscribed view of demand and supply substitution. On MCI's view McDonald's has substantial monopoly power because there is only a McDonald's where there is a

²⁵ MCI states at 7 that, "Differentiation breaks the direct link between price and cost even in highly competitive situations (*i.e.*, Bertrand competition)." This statement is analytically in error as a matter of economic theory and appears to misconstrue the import of Bertrand competition, which is that competitive results occur even in "small-numbers" settings when price (as against quantity) is the dimension of competitive rivalry. Under differentiated competition with open entry, market equilibrium is characterized by zero economic profit (*i.e.*, no monopoly profits).

²⁶ As noted above, this rate may not actually govern the compensation actually paid in particular transactions. Payphone operators may be compelled to offer lower rates if long-distance carriers are able to exercise bargaining power effectively to elicit lower compensation. The rate the Commission establishes merely supplies a starting point for negotiations. As we have noted, given the asymmetry that exists because of the requirement to deliver dial-around calls, the chances for mutually advantageous transactions would likely be enhanced by setting a somewhat higher rate to offset the unbalancing effect of the delivery requirement.

²⁷ *See op. cit.*, at 8.

McDonald's, and not a Burger King, Pizza Hut, Domino's, Kentucky Fried, etc. Consumers would not save much going down the street and the laws of physics preclude the simultaneous location of more than one fast-food outlet in one place. Therefore, according to MCI's view, McDonald's has a monopoly and must be regulated along with all the other competitors.²⁸ Our characterization of MCI's position is, in fact, MCI's position and not a parody of MCI's position. But MCI's position is, in reality, nothing more than a parody. It represents a gross distortion of actual operating conditions in this industry.

The Commission should take operating conditions that widely prevail as its primary reference in setting policy. Special or extraordinary circumstances may (but do not necessarily) deserve special treatment.²⁹ In addressing special circumstances, it is important not to burden normal and salutary methods of operating in more typical operating environments. It is important not to have the cure be worse than the (in this case only alleged) disease.

MCI's obscurantist tactics (at 20-21) when it comes to market definition represent an attempt to muddy what are relatively clear waters. There is, in fact, no need to explain "why the payphone market is bounded by state borders."³⁰ In fact, relevant economic markets for payphone services may or may not traverse state borders in different circumstances. The fact that payphones are spatially differentiated, which we have postulated from the outset, by itself implies little about the boundaries of relevant economic markets. Markets are defined by "chinks in the chain" of substitutes.³¹ The absence of chinks is suggested by the existence of a common

²⁸ It may well be the case that a fast-food outlet in a particularly advantageous location can earn rents, but these do not derive from monopolistic restriction of output but rather reflect the differentially great productivity of the location. The location owner may be able to extract these rents, but that has nothing to do with monopoly. Indeed, attempts to exercise non-existent market power would actually have the effect of dissipating locational rents.

²⁹ As we have noted, in circumstances where demand and supply alternatives are limited— mass transit facilities are the example often used— public complaints and the incentives confronting facility administrators may be sufficient to ensure good service.

³⁰ *Op. cit.*, at 18.

³¹ MCI's view is that individual payphone stations (or gas stations or fast-food restaurants) have the same economic character as the cable television monopoly franchise within a particular locality although one obvious difference between these different types of enterprises is the number of firms that can operate within a given locality. The economic approach to market definition easily leads to the conclusion that the cable television service offering in Fairfax County does not compete with the service offering in Montgomery County (because a small change in price will not induce consumers in one county to shift to purchase of the cable offering available only in

price, although a common price may exist in two separate markets notwithstanding their separateness. Price differences in the same market may reflect differences in service quality and across markets may reflect differences in supply and demand conditions.³²

III. Compared to What

What is striking about MCI's submission is its complete failure to address the grave disabilities of the cost-based approach to setting compensation that have been repeatedly identified in previous filings. The problem with the cost-modeling approach MCI espouses is that cost per call turns on the number of phones, but the number of phones itself depends on the compensation that is set. There is thus a circularity posing the danger of a spiraling degradation of service. This is a fundamental flaw that inheres in the basic architecture of this approach to setting compensation. MCI's response is to simply ignore this problem and to repeat its discredited mantra of "every payphone a monopoly." Saying it over and over again does not make it so.

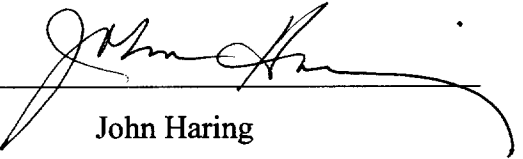
The Commission needs to understand that cost-based regulation of individual payphone stations is administratively (not to mention legally) infeasible. Not only would such regulation fly in the face of the objectives of the Telecom Act's provisions regarding payphone service, it simply cannot work because the Commission cannot compel payphone providers to deploy and maintain their capital.

the other county). It does not typically lead to the conclusion that, say, gas stations operating in different locations within a locality do not compete with one another because market definition entails identification of significant "chinks in the chain of substitutes." Gas (or pay) stations on different sides of town (call them A and G) may share no actual or potential customers in common, but they are still usually regarded as competing in the same economic market because they are linked by a chain of substitution that connects A to B and B to C and, eventually, F to G. Many of the stations are differentiated by location, but they are sufficiently linked by actual or potential substitution opportunities, so that they are properly regarded in economic terms as competing with one another. The economic model that most accurately describes the payphone market is one of differentiated competition rather than franchise monopoly.

³² In New York, APCC has adduced evidence indicating that PSP payphones in that state are, in fact, competitively constrained by Bell Atlantic's acceding to regulatory demands that it retain a 25-rate for some period of time, notwithstanding the rate for a payphone call's having risen in most other venues. This provides *prima facie* evidence that these suppliers' stations are in competition with one another, notwithstanding their being spatially differentiated. Whether *every* station competes with *every other* station is a different question and strikes as unlikely on its face.

MCI's submission supplies the Commission with no credible economic argument or evidence to depart from its previous tack in setting a reasonable compensation rate. In reality, there is no economically efficient or administratively workable solution to the problem of setting compensation but to use a market-based rate, suitably modified to reflect any significant and economically cognizable differences in elasticities of demand and marginal costs of coin and coinless calls. Happily, given the competitive conditions which characterize basic conditions of supply and demand in the industry, a market-based approach can be relied upon to produce economically reasonable and just results.

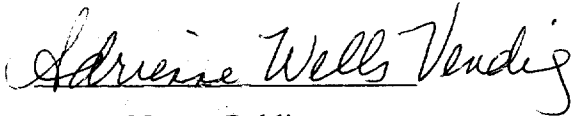
I hereby swear and affirm that the statements contained in the attached Declaration are true and correct to the best of my knowledge and belief.


John Haring

County of Montgomery

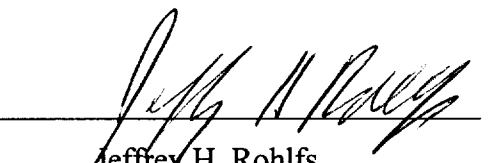
State of Maryland

Subscribed and sworn before me this 16th day of December 1998.


Notary Public

My commission expires: _____
Adrienne Wells Vendig, Notary Public
Montgomery County
State of Maryland
My Commission Expires Sept. 1, 2002

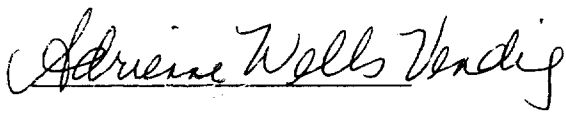
I hereby swear and affirm that the statements contained in the attached Declaration are true and correct to the best of my knowledge and belief.


Jeffrey H. Rohlfs

County of Montgomery

State of Maryland

Subscribed and sworn before me this 16th day of December 1998.


Notary Public

My commission expires: _____
Adrienne Wells Vendig, Notary Public
Montgomery County
State of Maryland
My Commission Expires Sept. 1, 2002